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August 18, 2008

**BY E-FILING**

U.S. Magistrate Judge Leonard P. Stark  
United States District Court  
for the District of Delaware  
844 N. King Street  
Wilmington, DE 19801

Re: Phoenix Payment Systems, Inc. d/b/a Electronic Payment Exchange v.  
Lexcel, Inc. and Lexcel Solutions, Inc., C.A. No. 07-537 (SLR/LPS)

Dear Magistrate Judge Stark:

Pursuant to the Scheduling Order (D.I. 20) entered in this case, we submit the following status report on behalf of all parties.

On April 22, 2008, Your Honor conducted a mediation between the parties. A number of points were agreed upon at the mediation, but many issues were left unresolved. The parties have been working through those issues since the mediation. Specifically, several drafts of a settlement agreement have been exchanged, and counsel has engaged in numerous discussions in an attempt to achieve a settlement. To keep negotiations moving briskly, counsel for plaintiff sent last Friday a draft agreement to Messrs. Flinn and Poff reflecting our proposed changes to Lexcel's latest draft. We are now awaiting our client's approval of those proposed changes. Lexcel has agreed to respond to our proposed changes within 48 hours of our client approving them. Both parties have committed to making themselves available to settle the matter this week.

Since the parties have been negotiating in good faith, we have not conducted any discovery, other than exchanging initial disclosures.

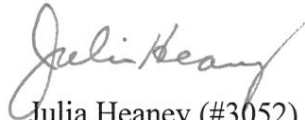


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Respectfully,



Julia Heaney (#3052)

/cbh

cc: C. Barr Flinn, Esq. (by email)  
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